

Message Text

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73

ACTION XMB-07

INFO OCT-01 ARA-16 ISO-00 EB-11 COME-00 AID-20 L-03

CIAE-00 INR-10 NSAE-00 RSC-01 TRSE-00 OMB-01 OPIC-12

CIEP-02 DRC-01 /085 W

----- 048381

R 061150Z JUN 74

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 785

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 2047

FOR EXIM

E. O. 11652: N/A

TAGS: EFIN, BR

SUBJ: FURNAS REQUEST FOR MODIFICATIONS IN EXIM CREDIT TERMS

REF: RIO 4349 OF 11/26/73; SAO PAULO MEMCON OF 4/29/74

SUMMARY. BRAZILIAN POWER UTILITY, FURNAS, HAS APPROACHED CONGEN SEEKING MODIFICATIONS IN EXIM REQUIREMENTS IN ORDER TO ELIMINATE COMMITMENT FEE AND TO SIMPLIFY LOAN APPLICATION PROCEDURES. FURNAS OFFICIALS CLAIM THAT, OF ALL MAJOR HYDROELECTRIC EQUIPMENT SUPPLIER COUNTRIES, U.S. IS ONLY ONE WITH EXPORT FINANCE AGENCY IMPOSING COMMITMENT FEE AND CUMBERSOME APPLICATION PROCEDURES. SAME OFFICIALS INDICATE THAT, AS CONSEQUENCE EXIM APPARENT REFUSAL MODIFY ITS TERMS, U.S. SUPPLIERS MAY BE PLACED AT COMPETITIVE DISADVANTAGE. CONGEN DISCUSSIONS WITH LOCAL REPRESENTATIVES U.S. COMPANIES REVEAL LATTER ARE SIMILARLY CONCERNED. END SUMMARY.

1. AT REQUEST OF FURNAS FINANCIAL DIRECTOR FERNANDO ZENOBIO, CONGEN OFFICER MET WITH FURNAS ASSISTANT FINANCIAL DIRECTOR VIRGILIO CARELLI AND PAULO ROBERTO VERAS, ASSISTANT TO FINANCIAL DIRECTOR. ZENOBIO WAS TO HAVE PARTICIPATED, BUT WAS CALLED UNCLASSIFIED

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AWAY AT LAST MINUTE. SUBJECT OF MEETING WAS FURNAS DESIRE

TO OBTAIN EXIM STAND-BY CREDIT UNDER CONDITIONS STATED IN DECEMBER 3, 1973. LETTER TO EXIM FROM JOHN COTRIM, FORMER FURNAS PRESIDENT. COTRIM LETTER OBJECTED PRINCIPALLY TO EXIM COMMITMENT FEE AND TO NECESSITY OF APPLYING FOR SEPARATE LOANS FOR EACH EQUIPMENT PURCHASE FROM DIFFERENT AMERICAN COMPANIES. THIS PROCEDURE APPARENTLY CAUSES FURNAS CONSIDERABLE ADMINISTRATIVE DIFFICULTIES BECAUSE EACH LOAN REQUEST MUST GO THROUGH BRAZILIAN GOVERNMENT CHANNELS.

2. COTRIM LETTER WAS SENT IN CONJUNCTION WITH FURNAS \$40 MILLION PC REQUEST FOR ITUMBIARA PROJECT. FURNAS HAS RECEIVED PC NO. 73-0-1801 DATED FEBRUARY 22, 1974, WHICH IT ASSUMES RESPONDS TO COTRIM LETTER. THIS PC, HOWEVER, GRANTS NONE OF THE CONCESSIONS REQUESTED BY COTRIM.

3. ACCORDING TO CARELLI AND VERAS, ALL FOREIGN SUPPLIERS OF HYDROELECTRIC EQUIPMENT EXCEPT U.S. PROVIDE FURNAS STAND-BY CREDITS REQUIRING NEITHER COMMITMENT FEE NOR REPEATED, PARTIAL LOAN APPLICATIONS. THEY STRESSED POSSIBILITY THAT, AS RESULT EXIM POSITION, U.S. COMPANIES MAY FIND THEMSELVES AT COMPETITIVE DISADVANTAGE VIS-A-VIS OTHER FOREIGN SUPPLIERS BIDDING ON FURNAS PROJECTS.

4. CONGEN OFFICER STATED HE WAS NOT FULLY FAMILIAR WITH SUBJECT, BUT HE WAS AWARE OF COTRIM'S PAST OBJECTIONS TO PAYING COMMITMENT FEE (SEE REFTEL). HE EXPLAINED THAT EXIM IS SEPARATE AGENCY WITH ITS OWN REGULATIONS, SOME OF WHICH UNDOUBTEDLY IMPOSED BY LEGISLATION, WHICH COULD EXPLAIN WHY IT NOT ABLE MEET FURNAS REQUEST.

5. IN SUBSEQUENT DISCUSSIONS WITH WESTINGHOUSE AND GE REPRESENTATIVES, CONGEN OFFICER SOUGHT TO DETERMINE POSSIBLE NEGATIVE EFFECTS OF EXIM POLICY ON U.S. EXPORT PROSPECTS. BOTH COMPANIES EXPRESSED CONCERN THAT THEY MAY BE PLACED AT CONSIDERABLE COMPETITIVE DISADVANTAGE. GE REPRESENTATIVE INDICATED THAT FURNAS IS NOT THE ONLY BRAZILIAN UTILITY REQUESTING ABOVE ALTERATION OF EXIM REQUIREMENTS. IN FACT, LARGELY BECAUSE OF EXIM POSITION, GE BID ON GENERATORS WORTH US\$ 20 MILLION FOR CEMIG SAO SIMAO PROJECT WAS BASED ON INTENTION TO MANUFACTURE GENERATORS IN CANADIAN RATHER THAN UNCLASSIFIED

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U.S. PLANT. ACCORDING WESTINGHOUSE REPRESENTATIVE, PROSPECTS FURNISHING LARGE AMOUNTS OF AMERICAN EQUIPMENT TO ITUMBIARA PROJECT ARE NOT VERY BRIGHT. HE BELIEVES IMPACT OF XIM POLICY ON OTHER PROJECTS, SPECIALLY ITAIPU DAM, MUST BE CONSIDERED. JOHN COTRIM IS NOW TECHNICAL DIRECTOR FOR ITAIPU COMPANY AND HE IS KNOWN TO FEEL STRONGLY ABOUT COMMITMENT FEES AND MULTIPLE LOAN APPLICATIONS. CONSEQUENTLY, IF SITUATION REMAINS UNCHANGED, AMERICAN SUPPLIERS OF HYDROELECTRIC EQUIPMENT MAY HAVE

DIFFICULTY BIDDING SUCCESSFULLY ON ITAIPU AND OTHER
HYDROELECTRIC PROJECTS.

6. CONGEN WOULD APPRECIATE STATEMENT OF EXIM POSITION THIS
MATTER IN ORDER PRESENT EXPLANATION TO FURNAS AND/OR OTHER
INTERESTED PARTIES AS REQUIRED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, FINANCE, DAMS, HYDROELECTRIC POWER PLANTS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974RIODE02047
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740146-0230
From: RIO DE JANEIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740669/aaaachez.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: RIO 4349 OF 11/26/73; SAO PAULO MEMC, ON OF 4/29/74
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 26 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 AUG 2002 by PhilliR0>; APPROVED <08 JAN 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FURNAS REQUEST FOR MODIFICATIONS IN EXIM CREDIT TERMS
TAGS: EFIN, BR, US, XMB, FURNAS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005